

DOLLARAMA REPORTS FISCAL 2023 FIRST QUARTER RESULTS

- 32.4% increase in diluted net earnings per share to \$0.49
- 20.9% increase in EBITDA⁽¹⁾ to \$300.0 million
- Sales growth of 12.4% and comparable store sales⁽¹⁾ growth of 7.3%
- Publication of Climate Strategy and 2022 ESG Update, including first-generation intensity reduction target for Scope 1 and Scope 2 GHG emissions

MONTREAL, June 8, 2022 /CNW/ - Dollarama Inc. (TSX: DOL) ("Dollarama" or the "Corporation") today reported its financial results for the first quarter ended May 1, 2022.

Fiscal 2023 First Quarter Results Highlights Compared to Fiscal 2022 First Quarter Results

- Sales increased by 12.4% to \$1,072.9 million
- Comparable store sales⁽¹⁾ grew 7.3%
- EBITDA⁽¹⁾ increased by 20.9% to \$300.0 million, or 28.0% of sales, compared to 26.0% of sales
- Operating income increased by 24.4% to \$220.0 million, or 20.5% of sales, compared to 18.5% of sales
- Diluted net earnings per share increased by 32.4% to \$0.49, compared to \$0.37
- 10 net new stores opened, compared to 12 net new stores
- 1,444,803 common shares repurchased for cancellation for \$107.3 million

"With the lifting of COVID-19 restrictions across Canada early in the quarter, we were pleased to see a double-digit increase in customer traffic, coupled with strong demand for our affordable, everyday consumables and seasonal goods. Our strong performance across key metrics in the first quarter reflects the relevance of our business model and positive consumer response to our value proposition in a high-inflation environment," said Neil Rossy, President and CEO. "Mindful of the challenging environment in which we are operating, we will continue to rely on the levers at our disposal to mitigate ongoing supply chain and cost pressures, while providing consumers with the best relative value on the market," he added.

"I am also pleased with our continued progress over the last year on the ESG front, including the publication of our climate strategy and roadmap. We approach our sustainability commitments as a journey on which we must continuously set the bar higher. We also believe in setting measurable and achievable goals, that consider our business and operations, the unique role we play in the lives of Canadian consumers, and the expectations of our stakeholders," concluded Mr. Rossy.

Explanatory Notes

All comparative figures that follow are for the first quarter ended May 1, 2022, compared to the first quarter ended May 2, 2021. All financial information presented in this press release has been prepared in accordance with generally accepted accounting principles in Canada ("GAAP") as set out in the CPA Canada Handbook – Accounting under Part I, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). For a full explanation of the Corporation's use of non-GAAP and other financial measures, please refer to the section entitled "Selected Consolidated Financial Information" of this press release, under the heading "Non-GAAP and Other Financial Measures". All references to "Fiscal 2022" are to the Corporation's fiscal year ended January 30, 2022, and to "Fiscal 2023" are to the Corporation's fiscal year ending January 29, 2023.

- (1) We refer the reader to the notes in the section entitled "Selected Consolidated Financial Information" of this press release for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure.

Fiscal 2023 First Quarter Financial Results

Sales for the first quarter of Fiscal 2023 increased by 12.4% to \$1,072.9 million, compared to \$954.2 million for the first quarter of Fiscal 2022. This increase was driven by growth in the total number of stores over the past 12 months (from 1,368 stores on May 2, 2021, to 1,431 stores on May 1, 2022) and in comparable store sales.

Comparable store sales for the first quarter of Fiscal 2023 increased by 7.3%, over and above 5.8% growth in the first quarter of Fiscal 2022 and consisted of a 14.4% increase in the number of transactions and a 6.2% decrease in average transaction size, reflecting a reversal in consumer shopping patterns compared to the prior year comparable period. The increase in comparable store sales is attributable to good seasonal performance and higher sales of consumables resulting in increased customer traffic across the store network year over year, whereas the same quarter last year was marked by a ban, effective April 8, 2021 and lifted after quarter-end on June 11, 2021, on the sale of non-essential goods in Ontario, where approximately 40% of the Corporation's stores are located.

EBITDA totalled \$300.0 million, or 28.0% of sales, for the first quarter of Fiscal 2023, compared to \$248.2 million, or 26.0% of sales, in the first quarter of Fiscal 2022. The increase in EBITDA reflects a solid gross margin and strong SG&A performance.

Gross margin was 42.1% of sales in the first quarter of Fiscal 2023, compared to 42.3% of sales in the first quarter of Fiscal 2022. Gross margin was slightly lower this quarter due to a change in the sales mix, with stronger sales of consumables, partially offset by lower logistic costs.

General, administrative and store operating expenses ("SG&A") for the first quarter of Fiscal 2023 increased by only 1.2% to \$160.6 million, compared to \$158.7 million for the first quarter of Fiscal 2022. SG&A represented 15.0% of sales, compared to 16.6% of sales for the first quarter of Fiscal 2022. This improvement is primarily attributed to the fact that incremental direct costs related to COVID-19 measures for the first quarter of Fiscal 2023 were only \$1.6 million, representing a 15 basis-point impact, compared to \$18.3 million, representing a 190 basis-point impact, in the same period last year.

The Corporation's 50.1% share of Dollarcity's net earnings for the period from January 1, 2022, to March 31, 2022, was \$8.7 million, compared to \$3.4 million for the same period last year, reflecting a strong financial and operational performance by Dollarcity. The Corporation's investment in Dollarcity is accounted for as a joint arrangement using the equity method.

Financing costs increased by \$2.3 million, from \$22.1 million for the first quarter of Fiscal 2022 to \$24.4 million for the first quarter of Fiscal 2023, mainly due to slightly higher average borrowings.

Net earnings were \$145.5 million, or \$0.49 per diluted common share, in the first quarter of Fiscal 2023, compared to \$113.6 million, or \$0.37 per diluted common share, in the first quarter of Fiscal 2022. Net earnings improved due to higher sales, and a higher equity pick-up from Dollarcity's net earnings, partially offset by a slightly lower gross margin.

Dollarcity Update

During its first quarter ended March 31, 2022, Dollarcity opened 8 net new stores, compared to 15 net new stores in the same period last year. As at March 31, 2022, Dollarcity had a total of 358 stores, with 210

locations in Colombia, 78 in Guatemala, 60 in El Salvador and 10 in Peru. This compares to a total of 350 stores as at December 31, 2021.

Normal Course Issuer Bid

During the first quarter of Fiscal 2023, 1,444,803 common shares were repurchased for cancellation under the Corporation's normal course issuer bid, for a total cash consideration of \$107.3 million, at a weighted average price of \$74.29 per share. As at May 1, 2022, the Corporation's adjusted net debt to EBITDA ratio was 2.74 times.

Dividend

On June 8, 2022, the Corporation announced that its Board of Directors had approved a quarterly cash dividend for holders of common shares of \$0.0553 per common share. This dividend is payable on August 5, 2022 to shareholders of record at the close of business on July 8, 2022. The dividend is designated as an "eligible dividend" for Canadian tax purposes.

Publication of Climate Strategy and 2022 ESG Update

As part of its sustainability commitments, Dollarama today published its Climate Strategy and 2022 ESG Update. This latest report includes Dollarama's first Scope 1 and Scope 2 emissions intensity reduction target of 25% by 2030 from a 2019 baseline, on a square footage basis. Dollarama also reiterated its commitment to pursue further alignment with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

In addition, Dollarama provides annual progress updates and additional information across select material topics ranging from diversity and inclusion to responsible sourcing. It also published an updated annual Sustainability Accounting Standards Board (SASB) Index.

Intended for all stakeholders and to be read in conjunction with regulatory filings, Dollarama's Climate Strategy and 2022 ESG Update is available for download in the [Sustainability section](#) of its corporate website.

Forward-Looking Information

Certain statements in this press release about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements. The words "may", "will", "would", "should", "could", "expects", "plans", "intends", "trends", "indications", "anticipates", "believes", "estimates", "predicts", "likely" or "potential" or the negative or other variations of these words or other comparable words or phrases, are intended to identify forward-looking statements.

Forward-looking statements are based on information currently available to management and on estimates and assumptions made by management regarding, among other things, general economic and geopolitical conditions and the competitive environment within the retail industry in Canada and in Latin America, in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors that are believed to be appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Many factors could cause actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements, including the factors which are outlined in the management's discussion and analysis for the first

quarter of Fiscal 2023 and discussed in greater detail in the "Risks and Uncertainties" section of the Corporation's annual management's discussion and analysis for Fiscal 2022, both available on SEDAR at www.sedar.com and on the Corporation's website at www.dollarama.com.

These factors are not intended to represent a complete list of the factors that could affect the Corporation or Dollarcity; however, they should be considered carefully. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Corporation's and Dollarcity's financial performance and may not be appropriate for other purposes. Readers should not place undue reliance on forward-looking statements made herein. Furthermore, unless otherwise stated, the forward-looking statements contained in this press release are made as at June 8, 2022 and management has no intention and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. The forward-looking statements contained in this press release are expressly qualified by this cautionary statement.

Virtual Shareholder Meeting and First Quarter Results Conference Call

Dollarama will hold its annual general meeting of shareholders today, June 8, 2022 at 9:00 a.m. (ET). The meeting will be conducted online only, via live audio webcast. All shareholders of record as of the close of business on April 14, 2022, regardless of geographic location, will be able to listen to the live audio webcast and submit questions. However, only registered shareholders and duly appointed proxyholders (including non-registered shareholders who have duly appointed themselves as proxyholder) will be able to vote at the meeting.

Dollarama will also hold a conference call to discuss its Fiscal 2023 first quarter results today, June 8, 2022 at 11:00 a.m. (ET). Financial analysts are invited to ask questions during the call. Other interested parties may participate in the call on a listen-only basis.

Both live audio webcasts are accessible through Dollarama's website at <https://www.dollarama.com/en-CA/corp/events-presentations>.

About Dollarama

Dollarama is a recognized Canadian value retailer offering a broad assortment of consumable products, general merchandise and seasonal items both in-store and online. Our 1,431 locations across Canada provide customers with compelling value in convenient locations, including metropolitan areas, mid-sized cities and small towns. Select products are also available, by the full case only, through our online store at www.dollarama.com. Our quality merchandise is sold at select fixed price points up to \$5.00.

Dollarama also owns a 50.1% interest in Dollarcity, a growing Latin American value retailer. Dollarcity offers a broad assortment of consumable products, general merchandise and seasonal items at select, fixed price points up to US\$4.00 (or the equivalent in local currency) in 358 conveniently located stores in El Salvador, Guatemala, Colombia and Peru.

Selected Consolidated Financial Information

(dollars and shares in thousands, except per share amounts)

	13-Week Periods Ended	
	May 1, 2022	May 2, 2021
	\$	\$
Earnings Data		
Sales	1,072,884	954,246

Cost of sales	<u>620,992</u>	<u>550,806</u>
Gross profit	451,892	403,440
SG&A	160,625	158,672
Depreciation and amortization	79,972	71,402
Share of net earnings of equity-accounted investment	<u>(8,737)</u>	<u>(3,403)</u>
Operating income	220,032	176,769
Financing costs	<u>24,355</u>	<u>22,146</u>
Earnings before income taxes	195,677	154,623
Income taxes	<u>50,175</u>	<u>41,049</u>
Net earnings	<u>145,502</u>	<u>113,574</u>
Basic net earnings per common share	\$0.50	\$0.37
Diluted net earnings per common share	\$0.49	\$0.37
Weighted average number of common shares outstanding:		
Basic	292,721	309,400
Diluted	294,477	310,742
Other Data		
Year-over-year sales growth	12.4%	13.0%
Comparable store sales growth ⁽¹⁾	7.3%	5.8%
Gross margin ⁽¹⁾	42.1%	42.3%
SG&A as a % of sales ⁽¹⁾	15.0%	16.6%
EBITDA ⁽¹⁾	300,004	248,171
Operating margin ⁽¹⁾	20.5%	18.5%
Capital expenditures	31,343	30,370
Number of stores ⁽²⁾	1,431	1,368
Average store size (gross square feet) ⁽²⁾	10,391	10,336
Declared dividends per common share	\$0.0553	\$0.0503

	<u>As at</u>	
	<u>May 1,</u>	<u>January 30,</u>
	<u>2022</u>	<u>2022</u>
	<u>\$</u>	<u>\$</u>
Statement of Financial Position Data		
Cash	71,574	71,058
Inventories	646,713	590,927
Total current assets	786,760	717,367
Property, plant and equipment	766,175	761,876
Right-of-use assets	1,523,226	1,480,255
Total assets	4,194,279	4,063,562
Total current liabilities	978,900	911,891
Total non-current liabilities	3,232,508	3,217,705
Total debt ⁽¹⁾	1,947,418	1,894,309
Net debt ⁽¹⁾	1,875,844	1,823,251
Shareholders' deficit	(17,129)	(66,034)

- (1) Refer to the section below entitled "Non-GAAP and Other Financial Measures" for the definition of these items and, when applicable, their reconciliation with the most directly comparable GAAP measure.
- (2) At the end of the period.

Non-GAAP and Other Financial Measures

The Corporation prepares its financial information in accordance with GAAP. We have included non-GAAP and other financial measures to provide investors with supplemental measures of our operating and financial performance. We believe that those measures are important supplemental metrics of operating and financial performance because they eliminate items that have less bearing on our operating and financial performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on GAAP measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP and other financial measures in the evaluation of issuers. Our management also uses non-GAAP and other financial measures in order to facilitate operating and financial performance comparisons from period to period, to prepare annual budgets, and to assess our ability to meet our future debt service, capital expenditure and working capital requirements.

The below-described non-GAAP and other financial measures do not have a standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers and should be considered as a supplement to, not a substitute for, or superior to, the comparable measures calculated in accordance with GAAP.

(A) Non-GAAP Financial Measures

EBITDA

EBITDA represents operating income plus depreciation and amortization and includes the Corporation's share of net earnings of its equity-accounted investment.

(dollars in thousands)

	13-Week Periods Ended	
	May 1, 2022 \$	May 2, 2021 \$
A reconciliation of operating income to EBITDA is included below:		
Operating income	220,032	176,769
Add: Depreciation and amortization	79,972	71,402
EBITDA	300,004	248,171

Total debt

Total debt represents the sum of long-term debt (including accrued interest and fair value hedge – basis adjustment), short-term borrowings under the US commercial paper program and other bank indebtedness (if any).

(dollars in thousands)

As at

A reconciliation of long-term debt to total debt is included below:	May 1, 2022	January 30, 2022
	\$	\$
Senior unsecured notes bearing interest at:		
Fixed annual rate of 2.443% payable in equal semi-annual instalments, maturing July 9, 2029	375,000	375,000
Fixed annual rate of 1.505% payable in equal semi-annual instalments, maturing September 20, 2027	300,000	300,000
Fixed annual rate of 1.871% payable in equal semi-annual instalments, maturing July 8, 2026	375,000	375,000
Fixed annual rate of 3.55% payable in equal semi-annual instalments, maturing November 6, 2023	500,000	500,000
Fixed annual rate of 2.203% payable in equal semi-annual instalments, maturing November 10, 2022	250,000	250,000
Accrued interest on Fixed Rate Notes	16,506	7,850
Fair value hedge - basis adjustment on interest rate swap	<u>(6,475)</u>	<u>(2,927)</u>
Total long-term debt	1,810,031	1,804,923
USCP Notes issued under US commercial paper program	137,387	89,386
Total debt	<u>1,947,418</u>	<u>1,894,309</u>

Net debt

Net debt represents total debt minus cash.

(dollars in thousands)

	As at	
	May 1, 2022	January 30, 2022
	\$	\$
A reconciliation of total debt to net debt is included below:		
Total debt	1,947,418	1,894,309
Cash	<u>(71,574)</u>	<u>(71,058)</u>
Net debt	<u>1,875,844</u>	<u>1,823,251</u>

(B) Non-GAAP Ratios

Adjusted net debt to EBITDA ratio

Adjusted net debt to EBITDA ratio is a ratio calculated using adjusted net debt over consolidated EBITDA for the last twelve months.

(dollars in thousands)

	As at	
	May 1, 2022	January 30, 2022
	\$	\$
A calculation of adjusted net debt to EBITDA ratio is included below:		

Net debt	1,875,844	1,823,251
Lease liabilities	1,771,448	1,727,428
Fair value hedge - basis adjustment on interest rate swap	6,475	2,927
Adjusted net debt	3,653,767	3,553,606
EBITDA for the last twelve-month period	1,334,410	1,282,577
Adjusted net debt to EBITDA ratio	2.74x	2.77x

EBITDA margin

EBITDA margin represents EBITDA divided by sales.

(dollars in thousands)

13-Week Periods Ended

May 1, 2022	May 2, 2021
\$	\$

A reconciliation of EBITDA to EBITDA margin is included below:

EBITDA	300,004	248,171
Sales	1,072,884	954,246
EBITDA margin	28.0%	26.0%

(C) Supplementary Financial Measures

Gross margin Represents gross profit divided by sales.

Operating margin Represents operating income divided by sales.

SG&A as a % of sales Represents SG&A divided by sales.

Comparable store sales Represent sales of Dollarama stores, including relocated and expanded stores, open for at least 13 complete fiscal months relative to the same period in the prior fiscal year.

Comparable store sales growth Represents the percentage increase or decrease, as applicable, of comparable store sales relative to the same period in the prior fiscal year. For the first quarter of Fiscal 2022, the calculation of comparable store sales growth excludes stores that were temporarily closed, either in Fiscal 2022 or in the same period in the prior fiscal year, in the context of the COVID-19 pandemic.

Incremental direct costs related to COVID-19 Represents costs incurred for the implementation and execution of health and safety measures in stores and in logistic operations in response to the pandemic, including costs associated with additional labor hours for the execution of sanitization and crowd control protocols and with the procurement of personal protection equipment for employees and cleaning supplies and equipment.

SOURCE Dollarama Inc.

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